

An open notebook with lined pages is positioned on the left side of the frame, resting on a dark wooden surface. To the right of the notebook, a cup of dark coffee is partially visible, also on the wooden surface. The lighting is warm and focused on the notebook and coffee.

Financial Statement Analysis

365  Careers

FINANCIAL RATIOS

FINANCIAL RATIOS



Liquidity

A firm's capability to pay its short term obligations



Profitability

A firm's ability to generate profits



Solvency

A company's ability to meet its long term obligations



Growth

The speed at which a company's financials are growing

FINANCIAL RATIOS

Liquidity

Current Ratio
Net Trade Cycle

Solvency

Debt Ratio
Interest Coverage Ratio

Profitability

ROA *Ebit%*
ROE *Net Income%*

Growth

Revenue y-o-y growth
EBITDA y-o-y growth

FINANCIAL RATIOS

Liquidity Ratios

Liquidity

Current Ratio:
$$\frac{\text{Short term assets}}{\text{Short term liabilities}}$$

Net Trade Cycle: DSO + DIO - DPO

DSO:
$$\frac{\text{Accounts Receivable}}{\text{Revenues}} \times 360$$

DIO:
$$\frac{\text{Inventory}}{\text{Cost of goods sold}} \times 360$$

DPO:
$$\frac{\text{Accounts Payable}}{\text{Cost of goods sold}} \times 360$$

FINANCIAL RATIOS

Solvency Ratios

Solvency

Debt ratio:
$$\frac{\text{Total Liabilities}}{\text{Total Assets}}$$

Interest Coverage:
$$\frac{\text{EBIT}}{\text{Interest Expenses}}$$

FINANCIAL RATIOS

Profitability Ratios

● Profitability

$$\text{ROA:} \quad \frac{\text{EBIT}}{\text{Total Assets}}$$

$$\text{ROE:} \quad \frac{\text{Net Income}}{\text{Shareholders' Equity}}$$

ROE decomposition: $\text{ROA} \times (\text{Total Assets} / \text{Equity}) \times (\text{Net Income} / \text{EBIT})$

FINANCIAL RATIOS

Growth Ratios

Growth

$$\text{Revenue y-o-y \%} = \frac{\text{Revenue (this year)}}{\text{Revenue (last year)}} - 1$$

$$\text{EBITDA y-o-y \%} = \frac{\text{EBITDA (this year)}}{\text{EBITDA (last year)}} - 1$$